

**Commonwealth of Massachusetts  
Division of Health Care Finance and Policy**

**Public Hearings  
Regarding  
Health Care Provider and Payer Costs and Cost Trends**

**Tuesday, March 16, 2010, 2:00 PM**

**Joseph P. Healey Library  
University Club, 11<sup>th</sup> Floor  
University of Massachusetts – Boston  
100 Morrissey Boulevard  
Boston, MA 02125**

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**Testimony of Frank C. Romano  
President of The Essex Group, Incorporated**

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My Company provides a variety of senior care services to the elderly population in Massachusetts that include Senior Transportation, Adult Day Care, Home Care, Hospice Care, Assisted Living, and Skilled Nursing Care. We employ some 1,100 people on a full and part-time basis. One of the biggest single challenges we have faced in the last five years has been trying to provide affordable health insurance to our employees.

We were insured for many years by BlueCross BlueShield in a traditional plan, but four years ago determined that there had to be a better solution to double digit increases in health insurance. At that point we decided to take a calculated risk and become self-insured. In the initial year, we were able to provide health insurance to our employees at no additional cost; in year two we had a 12% increase; and in year three we had a 25% increase. These types of increases are simply not sustainable.

As a self-insured plan, we recently implemented certain incentives. If employees get a flu shot, do not smoke, have a yearly medical exam and provide their third party medical screening information, they will see a \$500 reduction in their annual health insurance deductible. We continue to see higher than normal use of emergency rooms. This is because there are not a sufficient number of primary care physicians for our employees to utilize. We have made efforts

to incentivize employees to visit Urgent Care Centers rather than emergency rooms by lowering their deductibles.

There has to be a concerted effort to have more physician assistants and nurse practitioners in doctors' offices. This will increase the access point to primary care. One idea might be to increase scholarships to state schools.

In a recent article in *The Boston Globe* entitled "*Health Insurers Seeking Rate Hike, Requests Test Patrick's Resolve*", Governor Patrick warned that his administration might turn down health insurance premium increases it deemed excessive for individuals and small business. Insurers have asked the state to approve rate hikes of 8 to 32 percent commencing April 1. Governor Patrick last month said the state Division of Insurance would review rate increases exceeding 4.8 percent as part of a broader effort to rein in health care expenses. If the insurers' latest round of increases is rejected, it would mark the first time Massachusetts has capped health insurance rates. I am not convinced these caps will work. I would suggest the Governor consider incentivizing insurance companies to find ways to cut costs. I would propose the first step would be capping, or reducing, the pay of all CEOs and senior management of the health plans in Massachusetts. Given the rate increases we have seen, they certainly are neglecting an important aspect of their jobs. Also, insurers need to work with community-based hospitals that seem to have lower costs for most procedures than medical centers in Boston. Another point to consider is stopping the acquisition of medical groups by Partners and other large groups where the goal is to refer to their organization. Lastly, reconsider the Certificate of Need Program because it still allows duplication of services. An example would be the on North Shore where Massachusetts General Hospital has built a new complex in Danvers to compete with services already provided by Beverly Hospital, Lahey Clinic, and Salem Hospital. Additionally, group health insurance plans need to work with medical groups to prescribe more generic drugs.

In our year-end review with Health Plans, Inc., our third party administrator, over 50% of our female employees did not have mammograms even though they were covered by the policy. We find ourselves asking the question that if Massachusetts was the experiment, why isn't it working. It seems to me that employees are going to have to participate in their own wellness

program and the only way to do that is to assign premium increases to those people who continue to live an unhealthy life style. As we all know, when you apply for life insurance, the insurer wants to know your family history, age, height, weight, blood pressure, whether or not you sky dive or engage in other risky activities, any diseases you have – all of these items add to the increase in premium for your policy. Only then will employees begin to realize that they truly have to be involved in their own health care and not assume because their company provides health coverage, they can live any lifestyle they wish. In a recent study done by Dr. Jarett Berry, a Cardiologist at University of Texas Southwestern Medical Center in Dallas, presented last week in San Francisco at the American Heart Association's annual epidemiology and prevention conference, the findings showed that "When it comes to longevity, regular exercise may be the most potent weapon against disease. Fitness even trumped smoking cessation in the magnitude of benefit among participants in the study – though not by much."

One of the ideas we are pursuing is forming a relationship with our local hospital, Milford Regional Medical Center and developing a capitated rate for our employees, to pursue Henry Ford's work force ideas when producing the Model T, an affordable car for the general public. Employees would have to use that hospital and their medical group for all of their medical care. The specialists that are not provided by the hospital have been contracted by UMass Memorial and their medical group to provide services employees might need. It is our hope that by paying the hospital a fixed amount per employee, it too will have an incentive to keep costs down. Our initial concerns include such matters as what happens if the capitated rate is exceeded. We have discussed a reinsurance policy to cover this issue. Over time, it is our hope that our employees and the hospital will develop ongoing methods to rein in health care costs.